



# **Financial Statements**

**Lesley University**

**June 30, 2023 and 2022**



# LESLEY UNIVERSITY

## *Financial Statements*

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## *Independent Auditors' Report*

The Board of Trustees  
Lesley University  
Cambridge, Massachusetts

### ***Opinion***

We have audited the financial statements of Lesley University (the "University"), which comprise the statements of financial position as of June 30, 2023 and 2022, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the University as of June 30, 2023 and 2022, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Basis for Opinion***

We conducted our audits in accordance with auditing standards generally accepted in the United States of America ("GAAS"). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the University and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### ***Responsibilities of Management for the Financial Statements***

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the University's ability to continue as a going concern for one year after the date that the financial statements are available to be issued.



### ***Auditors' Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audits.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audits in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the University's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the University's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

*Maya Heyman McCann P.C.*

Boston, Massachusetts  
December 15, 2023

# LESLEY UNIVERSITY

## Statements of Financial Position

June 30,

	<b>2023</b>	<b>2022</b>
<b>Assets</b>		
Cash and cash equivalents	\$ 2,040,450	\$ 3,146,304
Student accounts receivable, net	3,351,550	4,651,206
Accounts, grants and interest receivable	8,204,914	13,261,443
Prepaid expenses and other assets	5,551,671	1,882,573
Debt service reserve with trustee	5,910,686	6,524,865
Contributions receivable, net	3,465,641	2,203,784
Investments held on behalf of employees for retirement	1,233,020	1,172,376
Student loans receivable, net	478,256	887,130
Property and equipment, net	204,642,979	202,628,682
Investments and trusts	<u>188,022,581</u>	<u>186,630,620</u>
<b>Total assets</b>	<b>\$ <u>422,901,748</u></b>	<b>\$ <u>422,988,983</u></b>
<b>Liabilities and Net Assets</b>		
Line of credit	\$ 9,000,000	\$ 14,645,200
Accounts payable and accrued expenses	12,779,593	12,888,071
Deferred revenue and advance payments	8,703,459	9,536,130
Annuities payable	2,016,125	2,253,959
Obligations to employees for retirement	1,233,020	1,172,376
Bonds, notes and loans payable, net	113,478,736	117,835,902
U.S. government loan advances	<u>267,452</u>	<u>808,992</u>
<b>Total liabilities</b>	<b><u>147,478,385</u></b>	<b><u>159,140,630</u></b>
Net assets:		
Without donor restrictions	232,580,258	225,812,644
With donor restrictions	<u>42,843,105</u>	<u>38,035,709</u>
<b>Total net assets</b>	<b><u>275,423,363</u></b>	<b><u>263,848,353</u></b>
<b>Total liabilities and net assets</b>	<b>\$ <u>422,901,748</u></b>	<b>\$ <u>422,988,983</u></b>

**LESLEY UNIVERSITY**

**Statement of Activities**

**Year Ended June 30, 2023**  
(with comparative totals for 2022)

	<b>2023</b>			<b>2022</b>
	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>	<b>Total</b>
Operating revenues:				
Tuition, fees, room and board (net of discount of \$16,820,881 and \$19,773,943, respectively)	\$ 62,246,012	\$ -	\$ 62,246,012	\$ 67,118,457
Government grants and contracts	1,439,620	-	1,439,620	8,748,254
Private grants and contracts	-	486,251	486,251	764,483
Auxiliary enterprises	3,513,297	-	3,513,297	3,608,620
Contributions	(407,307)	1,535,063	1,127,756	743,517
Other investment income	163,653	-	163,653	8,623
Other income	595,309	47,895	643,204	306,668
Amounts reclassified under spending formula	8,266,006	1,496,728	9,762,734	11,165,314
Amounts reclassified under board designations	6,100,000	-	6,100,000	5,000,000
Net assets released from restrictions	2,830,572	(2,830,572)	-	-
<b>Total operating revenues</b>	<b>84,747,162</b>	<b>735,365</b>	<b>85,482,527</b>	<b>97,463,936</b>
Operating expenses:				
Instruction	38,712,053	-	38,712,053	39,424,570
Academic support	14,031,158	-	14,031,158	12,794,468
Student services	11,199,606	-	11,199,606	10,542,301
Management and general	23,126,139	-	23,126,139	20,557,297
Fundraising	542,062	-	542,062	967,393
Student aid and CARES Act distribution	249,162	-	249,162	3,454,598
Auxiliary enterprises	12,607,266	-	12,607,266	12,523,389
<b>Total operating expenses</b>	<b>100,467,446</b>	<b>-</b>	<b>100,467,446</b>	<b>100,264,016</b>
<b>Change in net assets from operating activities</b>	<b>(15,720,284)</b>	<b>735,365</b>	<b>(14,984,919)</b>	<b>(2,800,080)</b>
Nonoperating activities:				
Investment return (loss), net of fees	13,212,193	2,581,911	15,794,104	(26,620,249)
Amounts reclassified under spending formula	(8,266,006)	(1,496,728)	(9,762,734)	(11,165,314)
Amounts reclassified under board designations	(6,100,000)	-	(6,100,000)	(5,000,000)
Contributions	-	2,974,307	2,974,307	2,867,721
COVID related expenditures	(131,463)	-	(131,463)	(613,722)
Gain on sale of property and equipment	23,773,174	-	23,773,174	3,906,154
Gain (loss) on assets held with outside trustees	-	12,541	12,541	(350,018)
<b>Change in net assets from nonoperating activities</b>	<b>22,487,898</b>	<b>4,072,031</b>	<b>26,559,929</b>	<b>(36,975,428)</b>
<b>Change in net assets</b>	<b>6,767,614</b>	<b>4,807,396</b>	<b>11,575,010</b>	<b>(39,775,508)</b>
Net assets, beginning of the year	225,812,644	38,035,709	263,848,353	303,623,861
<b>Net assets, end of the year</b>	<b>\$ 232,580,258</b>	<b>\$ 42,843,105</b>	<b>\$ 275,423,363</b>	<b>\$ 263,848,353</b>

**LESLEY UNIVERSITY**

**Statement of Activities**

**Year Ended June 30, 2022**

	<i><b>Without Donor Restrictions</b></i>	<i><b>With Donor Restrictions</b></i>	<i><b>Total</b></i>
Operating revenues:			
Tuition, fees, room and board (net of discount of \$19,773,943)	\$ 67,118,457	\$ -	\$ 67,118,457
Government grants and contracts	8,748,254	-	8,748,254
Private grants and contracts	-	764,483	764,483
Auxiliary enterprises	3,608,620	-	3,608,620
Contributions	313,331	430,186	743,517
Other investment income	8,623	-	8,623
Other income	278,248	28,420	306,668
Amounts reclassified under spending formula	9,636,766	1,528,548	11,165,314
Amounts reclassified under board designations	5,000,000	-	5,000,000
Net assets released from restrictions	3,309,364	(3,309,364)	-
<b>Total operating revenues</b>	<b>98,021,663</b>	<b>(557,727)</b>	<b>97,463,936</b>
Operating expenses:			
Instruction	39,424,570	-	39,424,570
Academic support	12,794,468	-	12,794,468
Student services	10,542,301	-	10,542,301
Management and general	20,557,297	-	20,557,297
Fundraising	967,393	-	967,393
Student aid and CARES Act distribution	3,454,598	-	3,454,598
Auxiliary enterprises	12,523,389	-	12,523,389
<b>Total operating expenses</b>	<b>100,264,016</b>	<b>-</b>	<b>100,264,016</b>
<b>Change in net assets from operating activities</b>	<b>(2,242,353)</b>	<b>(557,727)</b>	<b>(2,800,080)</b>
Nonoperating activities:			
Investment return, net of fees	(22,382,199)	(4,238,050)	(26,620,249)
Amounts reclassified under spending formula	(9,636,766)	(1,528,548)	(11,165,314)
Amounts reclassified under board designations	(5,000,000)	-	(5,000,000)
Contributions	185,783	2,681,938	2,867,721
COVID related expenditures	(613,722)	-	(613,722)
Gain on sale of property and equipment	3,906,154	-	3,906,154
Loss on assets held with outside trustees	-	(350,018)	(350,018)
<b>Change in net assets from nonoperating activities</b>	<b>(33,540,750)</b>	<b>(3,434,678)</b>	<b>(36,975,428)</b>
<b>Change in net assets</b>	<b>(35,783,103)</b>	<b>(3,992,405)</b>	<b>(39,775,508)</b>
Net assets, beginning of the year	261,595,747	42,028,114	303,623,861
<b>Net assets, end of the year</b>	<b>\$ 225,812,644</b>	<b>\$ 38,035,709</b>	<b>\$ 263,848,353</b>

LESLEY UNIVERSITY

Statement of Functional Expenses

Year Ended June 30, 2023  
(with comparative totals for 2022)

	2023							2022	
	Instruction	Academic Support	Student Services	Management and General	Fundraising	Student Aid and CARES Act Distribution	Auxiliary Enterprises	Total	Total
Salaries and wages	\$ 24,260,781	\$ 8,154,312	\$ 5,936,809	\$ 8,625,961	\$ 411,361	\$ -	\$ 669,851	\$ 48,059,075	\$ 47,931,722
Employee benefits and payroll taxes	5,849,329	2,243,738	1,689,067	888,423	116,627	-	200,519	10,987,703	11,009,984
Fees for services	3	55	-	1,522,198	-	-	867	1,523,123	1,315,214
Advertising and promotions	4,560	-	446,373	18,895	-	-	-	469,828	830,579
Office expenses	98,743	77,420	95,875	430,022	346	578	23,529	726,513	710,960
Information technology	6,353	21,119	1,014	3,172,135	79	-	357	3,201,057	3,105,925
Occupancy	530	800	178,638	210,698	-	-	1,724,367	2,115,033	1,997,001
Travel	255,428	124,506	273,390	93,881	7,070	-	250	754,525	479,837
Conferences, meetings	13,733	22,156	32,106	4,266	-	-	430	72,691	72,608
Insurance	-	-	864	970,433	-	-	195,534	1,166,831	197,081
Dining services	-	-	-	-	-	-	3,872,806	3,872,806	3,350,015
Custodial services	-	-	-	-	-	-	108,022	108,022	205,074
Security services	-	-	-	-	-	-	599,714	599,714	575,413
Books, memberships and dues	27,454	284,411	58,711	76,448	2,845	352	5,698	455,919	506,950
Student aid	-	-	-	-	-	246,963	-	246,963	3,387,346
Other expenses	742,198	415,459	1,156,590	2,205,983	3,734	1,269	369,418	4,894,651	4,829,942
Depreciation	2,297,942	828,530	410,127	1,437,728	-	-	2,647,860	7,622,187	7,572,802
Interest	1,344,855	484,892	240,024	1,085,218	-	-	1,567,160	4,722,149	4,761,946
Plant	3,810,144	1,373,760	680,018	2,383,850	-	-	620,884	8,868,656	7,423,617
<b>Total functional expenses</b>	<b>\$ 38,712,053</b>	<b>\$ 14,031,158</b>	<b>\$ 11,199,606</b>	<b>\$ 23,126,139</b>	<b>\$ 542,062</b>	<b>\$ 249,162</b>	<b>\$ 12,607,266</b>	<b>\$ 100,467,446</b>	<b>\$ 100,264,016</b>



**LESLEY UNIVERSITY**

**Statement of Functional Expenses**

**Year Ended June 30, 2022**

	<i>Instruction</i>	<i>Academic Support</i>	<i>Student Services</i>	<i>Management and General</i>	<i>Fundraising</i>	<i>Student Aid and CARES Act Distribution</i>	<i>Auxiliary Enterprises</i>	<i>Total</i>
Salaries and wages	\$ 25,729,344	\$ 7,282,017	\$ 5,836,925	\$ 7,953,285	\$ 675,232	\$ 10,508	\$ 444,411	\$ 47,931,722
Employee benefits and payroll taxes	6,032,820	2,030,579	1,706,335	904,167	201,764	779	133,540	11,009,984
Fees for services	-	-	-	1,307,336	-	-	7,878	1,315,214
Advertising and promotions	2,241	-	820,678	7,660	-	-	-	830,579
Office expenses	113,509	41,503	77,443	451,296	1,542	-	25,667	710,960
Information technology	10,622	21,623	6,281	3,067,399	-	-	-	3,105,925
Occupancy	22,941	2,750	31,962	160,383	1,647	-	1,777,318	1,997,001
Travel	83,731	55,646	114,774	209,338	6,760	-	9,588	479,837
Conferences, meetings	5,544	39,434	17,058	8,572	-	-	2,000	72,608
Insurance	-	-	867	-	-	-	196,214	197,081
Dining services	-	-	-	-	-	-	3,350,015	3,350,015
Custodial services	-	-	-	-	-	-	205,074	205,074
Security services	-	-	-	-	-	-	575,413	575,413
Books, memberships and dues	82,061	276,944	54,427	61,812	5,061	26,049	596	506,950
Student aid	-	-	-	-	-	3,387,346	-	3,387,346
Other expenses	1,081,677	585,594	820,330	1,821,122	75,387	29,916	415,916	4,829,942
Depreciation	2,200,294	864,071	370,889	1,556,986	-	-	2,580,562	7,572,802
Interest	1,326,602	520,966	223,617	1,105,159	-	-	1,585,602	4,761,946
Plant	2,733,184	1,073,341	460,715	1,942,782	-	-	1,213,595	7,423,617
<b>Total functional expenses</b>	<b>\$ 39,424,570</b>	<b>\$ 12,794,468</b>	<b>\$ 10,542,301</b>	<b>\$ 20,557,297</b>	<b>\$ 967,393</b>	<b>\$ 3,454,598</b>	<b>\$ 12,523,389</b>	<b>\$ 100,264,016</b>

# LESLEY UNIVERSITY

## Statements of Cash Flows

Years Ended June 30,

	<b>2023</b>	<b>2022</b>
<b>Cash flows from operating activities:</b>		
Change in net assets	\$ 11,575,010	\$ (39,775,508)
Adjustments to reconcile change in net assets to cash used in operating activities:		
Depreciation	7,622,187	7,572,802
Amortization on bond issuance cost and bond premiums, net	(597,166)	(585,424)
Gain on sale of property and equipment	(23,773,174)	(3,906,154)
Provision for uncollectible amounts	197,693	286,083
Net realized and unrealized (gains) losses on investments and trusts	(15,806,645)	26,920,620
Receipts of long-term contributions	(1,448,050)	(3,858,341)
Changes in:		
Student accounts receivable	1,101,963	(817,926)
Accounts, grants and interest receivable	5,056,529	(2,936,048)
Prepaid expenses and other assets	(3,669,098)	(675,520)
Contributions receivable	(1,261,857)	1,950,776
Investments held on behalf of employees for retirement	(60,644)	345,518
Accounts payable and accrued expenses	(347,180)	(12,787)
Obligations to employees for retirement	60,644	(345,518)
Annuities payable	(237,834)	(224,412)
Deferred revenue and advance payments	(832,671)	1,030,356
<b>Net cash used in operating activities</b>	<b><u>(22,420,293)</u></b>	<b><u>(15,031,483)</u></b>
<b>Cash flows from investing activities:</b>		
Purchase of property and equipment, net	(14,052,740)	(6,924,988)
Purchase of investments	(68,590,421)	(34,127,613)
Sale of investments	83,005,121	47,105,439
Proceeds from sale of property and equipment	28,428,116	5,179,842
Cash collections on student loans	408,874	139,471
<b>Net cash provided by investing activities</b>	<b><u>29,198,950</u></b>	<b><u>11,372,151</u></b>
<b>Cash flows from financing activities:</b>		
Proceeds from issuance of bonds, notes and loans payable	-	1,600,000
Payments on bonds, notes and loans payable	(3,760,000)	(4,435,006)
Net proceeds from (repayments on) line of credit	(5,645,200)	4,695,200
Decrease in U.S. government loan advances	(541,540)	(217,823)
Receipt of long-term contributions	1,448,050	3,858,341
(Increase) decrease in debt service reserve with trustees and unexpended bond proceeds	614,179	(3,881,860)
<b>Net cash provided by (used in) financing activities</b>	<b><u>(7,884,511)</u></b>	<b><u>1,618,852</u></b>
<b>Net decrease in cash and cash equivalents</b>	<b>(1,105,854)</b>	<b>(2,040,480)</b>
Cash and cash equivalents, beginning of year	3,146,304	5,186,784
<b>Cash and cash equivalents, end of year</b>	<b><u>\$ 2,040,450</u></b>	<b><u>\$ 3,146,304</u></b>

# LESLEY UNIVERSITY

## *Notes to Financial Statements*

### **Note 1 - Organization and Summary of Significant Accounting Policies**

Lesley University (the "University") is a private, not-for-profit, co-educational institution of higher education enrolling students in professional, undergraduate and graduate degree programs. The University's physical campus lies within Cambridge, Massachusetts and is comprised of four schools: the College of Liberal Arts and Sciences, the College of Art and Design, the Graduate School of Education, and the Graduate School of Arts and Social Sciences; and the Threshold Program. The University also offers online degree programs. The University has over one hundred programs of study and draws its student population primarily from Massachusetts and the New England region of the United States.

The University is primarily accredited by the New England Commission of Higher Education, Inc., among other accrediting bodies. The University participates in student financial aid programs sponsored by the United States Department of Education ("DOE") and to a much lesser extent the Commonwealth of Massachusetts, and other states within the United States of America. These programs facilitate the payment of tuition and other expenses for eligible students when they are determined to be eligible as evaluated by the University's financial aid office. Such determinations are subject to after the fact review by funders.

The University engages students in transformative education through active learning, scholarly research, diverse forms of artistic expression, and the integration of rigorous academics with practical, professional experience, leading to meaningful careers and continuing lifelong learning. The University prepares socially responsible graduates with the knowledge, skills, understanding, and ethical judgment to be catalysts shaping a more just, humane, and sustainable world.

### ***Basis of Presentation***

The accompanying financial statements have been prepared on the accrual basis and in accordance with accounting principles generally accepted in the United States of America which require that the University report information regarding its financial position and activities based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

#### ***Net Assets Without Donor Restrictions***

This net asset class includes resources for general use and is not subject to donor restrictions. The Board of Trustees has designated from net assets without donor restrictions amounts to function as endowment. Net assets without donor restrictions also include the investment in property and equipment, net of accumulated depreciation and amortization and related debt. The University also has designated certain funds to be used for strategic initiatives. The strategic initiatives fund is used to cover expenses incurred for projects and personnel to strategically position the University to sustain growth and encourage innovation. Also included in net assets without donor restrictions are amounts functioning as endowment.

#### ***Net Assets With Donor Restrictions***

This net asset class includes resources subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature that may or will be met, either by the passage of time or the events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity.

# LESLEY UNIVERSITY

## *Notes to Financial Statements*

### ***Note 1 - Organization and Summary of Significant Accounting Policies (Continued)***

#### ***Cash and Cash Equivalents***

Cash equivalents include all highly liquid debt instruments with maturities at date of purchase of three months or less. Such accounts are carried at cost plus accrued interest. Cash and cash equivalents held by investment managers are considered part of investments.

Cash and cash equivalents may be deposited into bank accounts and other instruments with and without federal deposit insurance and balances may exceed federally insured limits. The University monitors its exposure associated with cash and cash equivalents and has not experienced any losses in such accounts and therefore it believes its exposure to this concentration is limited.

Included in cash and cash equivalents are restricted amounts to be used for specific purposes as required by donors. Substantial elements of the cash and cash equivalents are related to restricted items.

#### ***Students Accounts Receivable***

Students are billed based on dates outlined in the academic catalog as agreed in advance of the delivery of the related academic or auxiliary activity. Payments for tuition, fees, room, board and auxiliary enterprises charges are generally due by the start of the academic period with the recognition that payments being made by the DOE or others are subject to specific requirements within those programs as to when those funds can be availed. Certain DOE funding can be availed prior to the commencement of the academic period, while other amounts are paid on specified intervals based on the rules as promulgated by the DOE. Thus cash flows on accounts receivable balances do not directly depend on meeting specified performance obligations of the University. Student accounts receivable are not collateralized.

Student accounts receivable are stated net of an allowance for doubtful accounts. The allowance for doubtful accounts is established based on historical experience which is reviewed and assessed periodically.

#### ***Accounts, Grants and Interest Receivable***

Accounts, grants and interest receivable includes amounts due from other than student sources. This account also includes other receivables. Management has provided a reserve of \$70,000 in 2023 and 2022, to cover uncollectable amounts.

#### ***Debt Service Reserve with Trustee***

Debt service reserve with trustee is carried at fair value using Level 1 inputs as discussed later in this section. The account consists primarily of funds held for debt service pursuant to the bond indentures which require that specified amounts be maintained with the trustee. The assets in the fund are a money market fund of U.S. government securities which complies with provisions of the bond agreements.

# LESLEY UNIVERSITY

## *Notes to Financial Statements*

### ***Note 1 - Organization and Summary of Significant Accounting Policies (Continued)***

#### ***Contributions Receivable***

Contributions receivable are recorded at fair value when initially pledged using Level 2 fair value inputs as described later in this section. For contributions expected to be collected in one year or more, fair value is arrived at by using expected collection rates along with a present value discount to account for the inherent risk associated with the expected future cash flows. Amortization of the discount is included in contributions revenue. Balances are periodically reviewed to adjust the allowance for doubtful accounts. Management estimates the allowance by a review of historical experience along with a specific review of collection trends that differ from plans on individual accounts.

#### ***Investments Held on Behalf of Employees for Retirement and Obligations to Employees for Retirement***

The University has a non-qualified deferred compensation plan under Section 457 of the Internal Revenue Code covering certain employees. Assets associated with this plan are included in investments held on behalf of employees for retirement along with a corresponding amount for the obligation with such amounts being recorded using Level 1 inputs as described later in this section.

#### ***Student Loans Receivable and U.S. Government Loan Advances***

Student loans receivable represent loans made under the Perkins Loan Program sponsored by the DOE and operated by the University. The program was funded over multiple years with federal funds along with a modest match from the University. As loans are repaid, funds are collected and held for this program. Loans are no longer being provided to students under this program. The U.S. Government Loan Advances represent liabilities for federal funds advanced subject to certain adjustments which are ultimately repayable should the program cease or should the University elect to no longer participate in the program. The University utilizes the services of a third party for billing, collection, and other requirements associated with this program. Credit risk is mitigated given the ability of the University to place non-performing loans with the DOE thus reducing the federal advances, and accordingly, reserve requirements are modest. Management evaluates its reserves considering its collection experience, current conditions and related items that could have an impact in order to estimate reserves required. Gross student loans receivables were \$534,289 and \$943,164 at June 30, 2023 and 2022, respectively. Given the limited amounts involved, management has omitted detailed disclosures regarding details relative to the aging of these loans.

#### ***Property and Equipment***

Property and equipment are recorded at acquisition cost when the useful life is over one year when such amounts exceed a management established capitalization threshold, net of accumulated depreciation and amortization. Maintenance and repairs are expensed as incurred, and improvements are capitalized. Depreciation is computed using the straight-line method over the estimated useful lives of the assets of three to sixty years. Interest incurred during the construction phase of projects is capitalized. Library books are expensed during the period the expenditures are incurred.

# LESLEY UNIVERSITY

## *Notes to Financial Statements*

### **Note 1 - Organization and Summary of Significant Accounting Policies (Continued)**

#### ***Investments and Trusts***

Investments are carried at fair value as per those policies discussed later in this section.

Net investment return (loss) is reported in the statement of activities and consists of interest, dividends, realized and unrealized gains and losses, less external and direct internal investment expenses. Returns are allocated to the underlying funds if such funds are with donor restrictions.

#### ***Fair Value Measurements***

The University reports certain assets and liabilities at fair value on a recurring or non-recurring basis depending on the underlying policy for the particular item, in accordance with fair value standards. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. These standards require an entity to maximize the use of observable inputs (such as quoted prices in active markets) and minimize the use of unobservable inputs (such as appraisals or valuation techniques) to determine fair value. Recurring fair value measurements include the University's investments and trusts, investments held on behalf of employees for retirement and obligations to employees for retirement and debt service reserve with trustee. Non-recurring measurements include contributions receivable and annuities payable. In addition, the University reports certain investments using the net asset value per share ("NAV") as determined by investment managers under the so called "practical expedient." The practical expedient allows net asset value per share to represent fair value for reporting purposes when the criteria for using this method are met. Fair value standards also require the University to classify financial instruments (but for those measured using NAV) into a three-level hierarchy, based on the priority of inputs to the valuation technique. The three levels of the fair value hierarchy are described below:

Level 1 – Quoted prices are available in active markets for identical instruments as of the reporting date. Instruments which are generally included in this category include listed equity and debt securities publicly traded on an exchange.

Level 2 – Pricing inputs are other than quoted prices in active markets, which are either directly or indirectly observable as of the reporting date, and fair value is determined through the use of models or other valuation methodologies.

Level 3 – Inputs to the valuation methodology are unobservable and significant to the fair value measurement. The inputs into the determination of fair value require significant management judgment or estimation.

In some instances, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such instances, an instrument's level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement.

# LESLEY UNIVERSITY

## *Notes to Financial Statements*

### **Note 1 - Organization and Summary of Significant Accounting Policies (Continued)**

#### ***Fair Value Measurements (Continued)***

Market price is affected by a number of factors, including the type of instrument and the characteristics specific to the instrument. Instruments with readily available active quoted prices or for which fair value can be measured from actively quoted prices generally will have a higher degree of market price observability and a lesser degree of judgment used in measuring fair value. It is reasonably possible that changes in value of these instruments will occur in the near term and that such changes could materially affect amounts reported in these financial statements. It is also possible that redemption rights may be restricted or eliminated by investment managers in the future in accordance with the underlying fund agreements.

#### ***Deferred Revenue and Advance Payments***

Deferred revenue represents unearned amounts of tuition, fees, room, board and auxiliary enterprises revenue given courses and services in process at year end and are primarily associated with summer academic sessions. Such amounts are computed based on the percentage of completion of courses or use of services such as housing. Revenue is recognized over time with such amounts being recognized over periods less than one year given the nature and duration of the underlying services being provided. Advance payments relate to enrollment deposits or other payments made in advance for which no revenue process is in process.

Substantially all amounts included in deferred revenue at the opening of each period were recognized as revenues during the following fiscal period with very limited amounts not being earned associated with student withdrawal rights that management does not consider material. The remaining performance obligation is time driven given the academic calendar that underlies the earnings process for tuition, fees, room, board and auxiliary revenue. There were no significant changes to deferred revenue amounts on a quantitative or qualitative basis at June 30, 2023 or 2022.

#### ***Annuities Payable***

Annuities payable generally relate to the obligations associated with split interest agreements where the University agrees to pay a donor and named beneficiaries a fixed amount per year for the life of the annuitants in exchange for assets at the inception of the arrangement. The difference between the fair value of the donated assets and the present value of the annuity obligation represents contribution revenue. The annuity obligations are unsecured with the obligations being amortized as payments are made. Obligations are periodically reviewed for changes in life expectancy. The initially recorded fair value of the donated assets is determined based on the underlying nature of the gift received utilizing Level 1, 2 or 3 inputs with such assets generally being included in investments, while the initial measurement of the related obligations is based on Level 2 inputs as per the fair value policies elsewhere in this section.

#### ***Bonds, Notes and Loans Payable***

Bonds, notes and loans payable are stated net of premiums, discounts and issuance costs. Premiums, discounts and issuance costs are amortized on the straight-line basis over the term of the underlying debt agreement.

# LESLEY UNIVERSITY

## *Notes to Financial Statements*

### *Note 1 - Organization and Summary of Significant Accounting Policies (Continued)*

#### ***Asset Retirement Obligations***

The University follows accounting standards for conditional asset retirement obligations which requires that conditional asset retirement obligations (“AROs”) that meet the definition of liabilities should be recognized when incurred if their fair values can be reasonably estimated.

The University was unable to estimate the range of settlement dates and the related probabilities for certain asbestos remediation AROs. These conditional AROs are primarily related to the necessary structural updates to various properties owned by the University. Because these conditional obligations have indeterminate settlement dates, the University could not develop a reasonable estimate of its AROs. The University will continue to assess its ability to estimate fair values at each future reporting date.

#### ***Income Taxes***

The University is recognized by the Internal Revenue Service as an organization described in Section 501(c)(3) of the Internal Revenue Code (the “Code”) and is generally exempt from Federal and state income taxes on related income. Certain unrelated activities are subject to Federal and state taxation as unrelated business income. Given the limited taxable activities of the University, management has concluded that disclosures related to tax provisions are not necessary.

#### ***Uncertain Tax Positions***

The University accounts for the effect of any uncertain tax positions based on a “more likely than not” threshold to the recognition of the tax positions being sustained based on the technical merits of the position under scrutiny by the applicable taxing authority. If a tax position or positions are deemed to result in uncertainties of those positions, the unrecognized tax benefit is estimated based on a “cumulative probability assessment” that aggregates the estimated tax liability for all uncertain tax positions. The University has identified its tax status as a tax-exempt entity and its determinations as to what income is related and unrelated as its only significant tax positions; however, the University has determined that such tax positions do not result in an uncertainty requiring recognition. The University is not currently under examination by any taxing jurisdiction.

The University’s Federal and state tax returns are generally open for examination for three years following the date filed.

#### ***Revenue Recognition and Operations***

Revenues are reported as increases in net assets without donor restrictions unless use of the related asset is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restrictions. The University has both earned revenues and contributed support.



# LESLEY UNIVERSITY

## *Notes to Financial Statements*

### *Note 1 - Organization and Summary of Significant Accounting Policies (Continued)*

#### *Revenue Recognition and Operations (Continued)*

##### **Earned Revenues**

The University earns revenues primarily through tuition, fees, room, board and auxiliary services all of which are under arrangements that are aligned to an academic period.

Accounting standards require earned revenues to be evaluated using a principles based process that requires the entities to: 1) identify the contract with the customer; 2) identify the performance obligations in the contract; 3) determine the transaction price; 4) allocate the transaction price to the performance obligations; and 5) recognize revenue when (or as) performance obligations are satisfied.

Tuition, fees and auxiliary enterprises revenue are recorded at established rates, net of institutional financial aid and scholarships provided directly to students with amounts that are fixed and determinable. Such net amounts are recorded as revenue when performance obligations are satisfied which is generally over time as services are rendered. Management believes that recognizing revenue over time is the best measure of services rendered based on its academic calendar and has not made any changes in the timing of its satisfaction of its performance obligations or amounts allocated to those obligations. Discounts provided to employees are considered part of fringe benefits within operating expenses and likewise are recorded over time. Management does not consider there to be significant judgment involved in the timing of satisfaction of performance obligations as they are directly linked to the academic calendar of the related academic activity.

Students may withdraw from programs of study within certain time limits as under the University's withdrawal policies by semester. These policies vary by program but allow for up to a 100% refund after the start of classes. Given the normal timing of the University's programs, the exposure to such withdrawal rights is limited at year end.

Payments made by third parties such as the DOE relative to loans and grants to students are a mechanism to facilitate payment on behalf of students, and accordingly, such funding does not represent revenue of the University.

Rental income is recorded as revenue over time as earned. This revenue is included in auxiliary enterprises.

Investment returns are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulation or by law.

# LESLEY UNIVERSITY

## *Notes to Financial Statements*

### *Note 1 - Organization and Summary of Significant Accounting Policies (Continued)*

#### *Revenue Recognition and Operations (Continued)*

##### **Contributed Support**

Contributions, including unconditional promises to give, are initially recorded as revenue as either with or without donor restrictions at fair value when verifiably committed. Unconditional promises to give that are expected to be collected in one year or more are recorded at the present value of the estimated future cash flows using a risk adjusted discount rate depending on the time period involved. Fair value is determined at the original date of record as described in this section using Level 2 fair value inputs. Conditional contributions are recorded as revenue when the conditions have been met which generally involves the meeting of a barrier to entitlement such as the achievement of a match or incurring specified allowable expenses in accordance with a framework of allowable cost or other barriers. Intentions to give are not recorded as revenues or assets. Expirations of donor-imposed restrictions on net assets, such as the donor stipulated purpose has been fulfilled and/or the stipulated time period has elapsed, are reported as “net assets released from restriction” between the classes of net assets.

The University reports gifts of cash or other assets that must be used to acquire long-lived assets as revenue with donor restrictions. The University reports expirations on donor restrictions when the donated or acquired long-lived assets are placed in service.

##### **Nonoperating Activities**

Nonoperating activities includes contributions for endowment and capital, investment returns less spending draws and additional draws approved by the board from board designated funds, funds released from donor restriction associated with capital improvements and plant, COVID related expenditures, gains on the sale of property and equipment as well as gains and losses on outside trusts.

##### **Advertising and Promotion**

The University expenses the cost of advertising when incurred.

##### **Functional Allocation of Expenses**

The costs of providing the various programs and activities and supporting services have been summarized on a functional basis in the statements of activities. The statements of functional expenses present the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Depreciation of plant assets and operation and maintenance of plant expenses have been allocated to functional classifications based on square footage of facilities. Interest expense is allocated to functional classifications that benefited from the use of the proceeds of the debt.

# LESLEY UNIVERSITY

## ***Notes to Financial Statements***

### ***Note 1 - Organization and Summary of Significant Accounting Policies (Continued)***

#### ***Use of Estimates***

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures at the date of the financial statements and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from those estimates.

#### ***Self-Insurance***

The University is an equity participant in a self-insured health insurance captive (the “Captive”) which supports the administration of health insurance benefits to employees. The University accrues costs at year end associated with incurred but not reported claims. Cash is advanced to the Captive monthly to cover near term claims with any advance payment which is considered a prepaid. The Captive has purchased reinsurance for itself to limit claims to the capital in the Captive. In addition, a stop-loss insurance policy is in force to limit exposures on individual claims impacting the University.

#### ***New Accounting Pronouncements***

Management is evaluating pending accounting pronouncements and does not expect a material impact from such standards.

#### ***Subsequent Events***

The University has evaluated subsequent events through December 15, 2023, the date the financial statements were issued.

The University sold property and equipment under several transactions after year end with gross proceeds of \$31,350,000. These sales are expected to result in a gain of approximately \$19,650,000 which will be recorded in fiscal year 2024.

The University had a reduction in force; such costs will be accrued in fiscal year 2024. In connection with the reduction in force, several impacted employees have made legal filings which given the early stages of these filings as of the date of this report, management cannot determine the value of these claims.

No other events have occurred requiring measurement or disclosure in the financial statements though the date of issuance of this report.

### ***Note 2 - Liquidity and Availability***

The University regularly monitors liquidity to meet its operating needs and other contractual commitments, while also striving to maximize the investment of its available funds. The University has various sources of liquidity at its disposal, including cash and cash equivalents, marketable debt and equity securities and its line of credit.

# LESLEY UNIVERSITY

## *Notes to Financial Statements*

### **Note 2 - Liquidity and Availability (Continued)**

For purposes of analyzing resources available to meet general expenditures over a 12-month period, the University considers all expenditures related to its ongoing activities of teaching, research and public service as well as the conduct of services undertaken to support those activities to be general expenditures. Student loans receivable are not included in the analysis as principal and interest on these loans are not available to meet current operating needs.

In addition to the financial assets available to meet general expenditures over the next 12 months, the University seeks to operate with as close to a balanced budget as is possible.

Although not expected to be needed, the spendable yet restricted portion of the University's net assets with donor restrictions could be used to meet cash needs if necessary. Prudent investment management, however, must be considered to ensure the preservation of the funds for future use.

The following tables show the total financial assets held by the University and the amounts of those financial assets available within one year of the balance sheet date to meet general expenditures at June 30:

	<b>2023</b>	<b>2022</b>
Financial assets available to meet general expenditures over the next 12 months:		
Cash and cash equivalents	\$ 1,563,298	\$ 1,519,225
Student accounts receivable	3,351,550	4,651,206
Accounts, grants and interest receivable	8,204,914	13,261,443
Contributions for general expenditures due in one year or less	1,075,048	706,086
Endowment spending rate distribution and appropriations	15,900,000	6,693,465
<b>Total financial assets available to meet general expenditures over the next 12 months</b>	<b>\$ 30,094,810</b>	<b>\$ 26,831,425</b>

The University also has board designated funds functioning as endowments of approximately \$155 million and \$156 million at June 30, 2023 and 2022, respectively.

### **Note 3 - Student Accounts Receivable, Net**

Student accounts receivable consist of the following at June 30:

	<b>2023</b>	<b>2022</b>
Student accounts receivable	\$ 6,403,935	\$ 7,505,898
Allowance for doubtful accounts	(3,052,385)	(2,854,692)
	<b>\$ 3,351,550</b>	<b>\$ 4,651,206</b>

# LESLEY UNIVERSITY

## Notes to Financial Statements

### Note 4 - Contributions Receivable, Net

Contributions receivable are summarized as follows at June 30:

	<b>2023</b>	<b>2022</b>
Unconditional promises expected to be collected in:		
Less than one year	\$ 3,563,679	\$ 1,125,562
One year to five years	<u>1,211,193</u>	<u>1,592,658</u>
	4,774,872	2,718,220
Less present value discount and allowance for doubtful accounts	<u>(1,309,231)</u>	<u>(514,436)</u>
<b>Contributions receivable, net</b>	<b><u><u>\$ 3,465,641</u></u></b>	<b><u><u>\$ 2,203,784</u></u></b>

### Note 5 - Investments and Trusts and Other Fair Value Measurements

The valuation of the University's financial instruments by the fair value hierarchy consisted of the following at June 30:

	<b>2023</b>				
	<i>Total</i>	<i>Net Asset Value</i>	<i>Level 1</i>	<i>Level 2</i>	<i>Level 3</i>
<b>Assets</b>					
Debt service reserve	\$ 5,910,686	\$ -	\$ 5,910,686	\$ -	\$ -
Investments held on behalf of employees for retirement	<u>1,233,020</u>	-	<u>1,233,020</u>	-	-
	<u>7,143,706</u>	-	<u>7,143,706</u>	-	-
<b>Investments and trusts</b>					
Cash equivalents	2,970,659	-	2,970,659	-	-
Domestic equities	12,978,379	-	12,978,379	-	-
Global equities	98,656,548	86,149,877	12,506,671	-	-
Private equity	24,799,827	24,799,827	-	-	-
Hedge funds	655,768	655,768	-	-	-
Fixed income	31,902,615	11,447,411	20,455,204	-	-
Real estate	10,610,372	10,610,372	-	-	-
Real assets	4,204,696	2,491,563	1,713,133	-	-
Trusts held by others	<u>1,243,717</u>	-	-	-	<u>1,243,717</u>
	<u>188,022,581</u>	<u>136,154,818</u>	<u>50,624,046</u>	-	<u>1,243,717</u>
<b>Total assets at fair value</b>	<b><u><u>\$ 195,166,287</u></u></b>	<b><u><u>\$ 136,154,818</u></u></b>	<b><u><u>\$ 57,767,752</u></u></b>	<b><u><u>\$ -</u></u></b>	<b><u><u>\$ 1,243,717</u></u></b>

# LESLEY UNIVERSITY

## Notes to Financial Statements

### Note 5 - Investments and Trusts and Other Fair Value Measurements (Continued)

	2022				
	Total	Net Asset Value	Level 1	Level 2	Level 3
<b>Assets</b>					
Debt service reserve	\$ 6,524,865	\$ -	\$ 6,524,865	\$ -	\$ -
Investments held on behalf of employees for retirement	1,172,376	-	1,172,376	-	-
	7,697,241	-	7,697,241	-	-
<b>Investments and trusts</b>					
Cash equivalents	4,656,614	-	4,656,614	-	-
Global equities	103,904,893	80,858,895	23,045,998	-	-
Private equity	28,239,118	28,239,118	-	-	-
Fixed income	33,843,410	11,003,370	22,840,040	-	-
Real estate	11,139,896	11,139,896	-	-	-
Real assets	3,644,809	2,101,527	1,543,282	-	-
Trusts held by others	1,201,880	-	-	-	1,201,880
	186,630,620	133,342,806	52,085,934	-	1,201,880
<b>Total assets at fair value</b>	<b>\$ 194,327,861</b>	<b>\$ 133,342,806</b>	<b>\$ 59,783,175</b>	<b>\$ -</b>	<b>\$ 1,201,880</b>

The University's investments can be redeemed as follows at June 30, 2023:

<i>Redemption Frequency</i>	<i>Fair Value</i>
Daily	\$ 103,695,130
Monthly	41,222,571
Quarterly	11,670,317
Annual	-
Illiquid	31,434,563
<b>Total investments</b>	<b>\$ 188,022,581</b>

Unfunded commitments under various investment vehicles amounted to approximately \$18,332,413 at June 30, 2023. Management has no plans or intentions to liquidate any of its NAV investments other than in the ordinary course of business as allowed under such instruments.

Trusts held by others relate to the assets of an irrevocable charitable remainder trust and an irrevocable perpetual trust, which are held by independent donor-appointed trustees. Income from the perpetual trust is recognized "upon distribution" unless deemed as return of capital plus or minus any change in the fair value of the underlying asset while income from the remainder trust represents the change in fair value of the trust assets. Management has elected to omit disclosures about details of the Level 3 investment roll forward given the limited amounts involved.

# LESLEY UNIVERSITY

## Notes to Financial Statements

### Note 6 - Property and Equipment

The following is a summary of the University's property and equipment at June 30:

	<b>2023</b>	<b>2022</b>
Land and improvements	\$ 30,848,109	\$ 32,050,849
Building and improvements	240,284,089	244,545,524
Furniture and equipment	26,978,269	25,815,087
Construction in progress	<u>12,813,746</u>	<u>4,071,246</u>
<b>Total property and equipment</b>	<b>310,924,213</b>	<b>306,482,706</b>
Less accumulated depreciation and amortization	<u>(106,281,234)</u>	<u>(103,854,024)</u>
<b>Property and equipment, net</b>	<b><u>\$ 204,642,979</u></b>	<b><u>\$ 202,628,682</u></b>

During 2023, the University sold 4 properties with total gross proceeds of \$30,200,000. Net cash received by the University totaled approximately \$28,600,000, and the net book value of the assets at the time of sale totaled approximately \$4,800,000 resulting in a gain on sale of approximately \$23,800,000.

### Note 7 - Line of Credit, Bonds, Notes and Loans Payable

#### *Line of Credit*

The University has a \$20,000,000 revolving line of credit with a bank. Interest is computed at a variable rate as defined in the agreement with the actual rates being 6.75% and 3.25% at June 30, 2023 and 2022, respectively. The line is on a parity basis with all other indebtedness of the University via a pledge of the University's tuition receipts and the arrangement is subject to certain covenants. A fee is charged by the bank on the unused portion of the balance equal to 0.20% annually. This line of credit is due to expire on April 30, 2024. Management expects to renew this credit line under similar terms.

# LESLEY UNIVERSITY

## Notes to Financial Statements

### Note 7 - Line of Credit, Bonds, Notes and Loans Payable (Continued)

#### Bonds, Notes and Loans Payable

The following is a summary of the University's bonds and notes payable at June 30:

	<b>2023</b>	<b>2022</b>
Massachusetts Development Finance Agency Revenue Bonds (Series 2019), maturing at various times through 2049 with fixed interest rates ranging from 2.13%-5.00%.	\$ 50,605,000	\$ 52,660,000
Massachusetts Development Finance Agency Revenue Bonds (Series 2016), maturing at various times through 2039 with fixed interest rates ranging from 4.00%-5.00%.	42,350,000	43,490,000
Massachusetts Development Finance Agency Revenue Bonds (Series 2017), maturing at various times through 2033 with fixed interest rates ranging from 2.17%-5.00%.	7,985,000	8,390,000
Aramark Capital Loan with an interest rate of 0.0%.	1,280,000	1,440,000
	102,220,000	105,980,000
Less unamortized bond issuance costs	(1,083,481)	(1,155,631)
Plus unamortized bond premium	12,342,217	13,011,533
<b>Bonds, notes and loans payable, net</b>	<b>\$ 113,478,736</b>	<b>\$ 117,835,902</b>

Scheduled maturities are as follows at June 30, 2023:

2024	\$ 3,830,000
2025	3,970,000
2026	4,105,000
2027	4,260,000
2028	4,410,000
Thereafter	81,645,000
<b>Total bonds payable</b>	<b>\$ 102,220,000</b>



# LESLEY UNIVERSITY

## Notes to Financial Statements

### Note 8 - Net Assets and Endowment Matters

#### Net Assets Without Donor Restrictions

Net assets without donor restrictions are comprised of the following at June 30:

	<b>2023</b>	<b>2022</b>
Funds without donor restrictions:		
General and other purposes	\$ 141,416,015	\$ 141,019,864
Net investment in plant	<u>91,164,243</u>	<u>84,792,780</u>
<b>Total net assets without donor restrictions</b>	<b><u>\$ 232,580,258</u></b>	<b><u>\$ 225,812,644</u></b>

**General and other purposes** - Discretionary funds available for carrying on the operating activities of the University. These funds have been set aside by the Board of Trustees to support operations via a draw policy with additional amounts being available under that policy along with additional amounts as approved by the Board of Trustees.

**Net investment in plant** - The value of buildings and equipment net of depreciation, used in the University's operations. This amount is offset by outstanding liabilities related to the assets.

# LESLEY UNIVERSITY

## Notes to Financial Statements

### Note 8 - Net Assets and Endowment Matters (Continued)

#### Net Assets With Donor Restrictions

Net assets with donor restrictions consist of the following at June 30:

	<b>2023</b>	<b>2022</b>
Accumulated unspent gains on endowment:		
Instruction	\$ 6,468,111	\$ 5,732,736
Student aid	2,528,546	2,199,284
Other (academic support, student services, general institutional)	<u>(152,947)</u>	<u>(272,531)</u>
Total accumulated unspent gains on endowment	<u>8,843,710</u>	<u>7,659,489</u>
Endowment corpus:		
Instruction	15,659,131	12,622,352
Student aid	11,740,948	11,714,472
Other (academic support, student services, general institutional)	<u>1,997,784</u>	<u>1,997,784</u>
Total endowment corpus	<u>29,397,863</u>	<u>26,334,608</u>
Total endowment	<u>38,241,573</u>	<u>33,994,097</u>
Other donor-restricted net assets:		
Contributions and other receivables	1,278,996	838,919
Instruction	1,903,813	2,197,550
Student aid	(282,229)	351,877
Capital improvements, plant	50,707	51,474
Other (academic support, student services, general institutional)	<u>1,650,245</u>	<u>601,792</u>
Total other donor-restricted net assets	<u>4,601,532</u>	<u>4,041,612</u>
 <b>Total net assets with donor restrictions</b>	 <b>\$ <u>42,843,105</u></b>	 <b>\$ <u>38,035,709</u></b>

Net assets with donor restrictions were released from restrictions as follows for the years ended June 30:

	<b>2023</b>	<b>2022</b>
Instruction	\$ 1,894,952	\$ 1,831,099
Student aid	725,975	952,316
Other (academic support, student services, general institutional)	<u>209,645</u>	<u>525,949</u>
	 <b>\$ <u>2,830,572</u></b>	 <b>\$ <u>3,309,364</u></b>

# LESLEY UNIVERSITY

## Notes to Financial Statements

### Note 8 - Net Assets and Endowment Matters (Continued)

#### Net Assets With Donor Restrictions (Continued)

Endowments and funds functioning as endowment, including trusts, are as follows for the years ended June 30:

	<b>2023</b>		
	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
Endowment assets and those functioning as endowment assets, June 30, 2022	\$ 155,907,744	\$ 30,722,876	\$ 186,630,620
Gifts and additions	-	1,448,050	1,448,050
Investment returns	13,212,193	2,594,452	15,806,645
Expenditures:			
Amounts appropriated for operations	(14,366,006)	(1,496,728)	(15,862,734)
Change in investments	(1,153,813)	2,545,774	1,391,961
<b>Endowment assets and those functioning as endowment assets, June 30, 2023</b>	<b>\$ 154,753,931</b>	<b>\$ 33,268,650</b>	<b>\$ 188,022,581</b>
	<b>2022</b>		
	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
Endowment assets and those functioning as endowment assets, June 30, 2021	\$ 192,739,943	\$ 33,789,123	\$ 226,529,066
Gifts and additions	-	2,448,309	2,448,309
Investment returns	(22,382,199)	(4,588,067)	(26,970,266)
Expenditures:			
Amounts appropriated for operations	(14,450,000)	(926,489)	(15,376,489)
Change in investments	(36,832,199)	(3,066,247)	(39,898,446)
<b>Endowment assets and those functioning as endowment assets, June 30, 2022</b>	<b>\$ 155,907,744</b>	<b>\$ 30,722,876</b>	<b>\$ 186,630,620</b>

# LESLEY UNIVERSITY

## *Notes to Financial Statements*

### **Note 8 - Net Assets and Endowment Matters (Continued)**

#### ***Net Assets With Donor Restrictions (Continued)***

Endowment assets with donor restrictions held in cash and not included in the table above totaled \$4,468,918 and \$3,858,340 at June 30, 2023 and 2022, respectively. Endowment assets with donor restrictions recorded as contributions receivable and not included in the table above totaled \$1,500,000 at June 30, 2023. Amounts appropriated for operations but not drawn at June 30, 2023 and 2022 were \$995,995 and \$788,852, respectively.

#### ***Endowment***

The University's endowment consists of approximately 90 individual funds which are invested and administered in accordance with donor stipulation. The board also invests certain funds as if they are endowment, however those are subject to board oversight rather than state law. The University tracks the value of original gifts to its endowment type funds as well as the appreciation over time, less any spending under its spending policies. Such appreciation follows the original gift instrument that underlies the related funds.

The University's investments are managed in accordance with sound practices emphasizing long-term fundamentals to achieve long-term rates of return, to maintain purchasing power of endowment type funds, and to provide for current spending. Investments are diversified to reduce volatility and risk associated with concentrated positions and returns sought are those comparing favorably to other endowments, foundations and appropriate benchmarks. Portfolio volatility is intended to approximate the weighted composite of market indices correlating with the policy target portfolio, periodically adjusted for market conditions. A diversified target asset allocation places emphasis on equities, fixed income, real estate and managers employing multi-asset and absolute return strategies.

#### ***Interpretation of Relevant Law and Spending Policy***

The University followed the standards contained in state law as promulgated in the Commonwealth of Massachusetts as it relates to the management of endowment type funds.

The University classifies net assets with donor restrictions based on: (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified as corpus is classified as net assets with donor restrictions. The University considers the following standards of prudence when evaluating spending from its endowment type funds:

- The duration and preservation of the fund
- The purposes of the University and the donor-restricted endowment fund
- General economic conditions
- The possible effects of inflation and deflation
- The expected total return from income and the appreciation of investments
- Other resources of the University
- The investment policies of the University

# LESLEY UNIVERSITY

## Notes to Financial Statements

### Note 8 - Net Assets and Endowment Matters (Continued)

#### Interpretation of Relevant Law and Spending Policy (Continued)

The University invests its endowment, including funds functioning as endowment, in investment portfolios and allocates the related earnings for expenditure in accordance with the total return concept which considers both appreciation and investment income. During fiscal year 2023, the Board of Trustees recognized that the cost of the purchase and operation of the South Campus and emerging from the COVID-19 pandemic warrant reinstatement of a higher spend level from the endowment in fiscal year 2023 through fiscal year 2025 to facilitate the University's ongoing transition to financially sustainable operations. For each fiscal year prior to the 2026 fiscal year, the Board of Trustees will establish the University's annual spending with the annual drawdown divided into three sections: a. normal operating budget consisting of 4% to 5% spending from the endowment, b. interest expense for the South Campus related financing, and c. incremental spending up to \$5,000,000 per year for University operations to improve efficiency and growth as well as to close the budget gap to sustainable levels by fiscal year 2026.

Management expects the distribution from funds functioning as endowment without donor restrictions and the endowment to be \$9,770,511 for the year ending June 30, 2024. Additional draws based on budgeted need of \$4,978,283 have been approved for the year ending June 30, 2024 for an aggregate draw \$15,900,000.

#### Endowments with Deficiencies

From time to time, certain donor-restricted endowment funds may have fair values less than the amount required to be maintained by donors or by law (underwater endowments). These deficits resulted from unfavorable market fluctuations that generally occurred shortly after the investment of newly established endowments, and authorized distribution that was deemed prudent. The University has interpreted UPMIFA to permit spending from underwater endowments in accordance with prudent measures required under law.

Underwater endowments were as follows at June 30:

	<b>2023</b>	<b>2022</b>
Fair value of underwater endowment funds	\$ 9,226,601	\$ 7,647,682
Original endowment gift amount	<u>9,600,032</u>	<u>8,338,124</u>
<b>Deficiencies of underwater endowment funds</b>	<b><u>\$ (373,431)</u></b>	<b><u>\$ (690,442)</u></b>

#### Return Objectives and Risk Parameters

The University's investment portfolio is managed to provide for the long-term support of the University. Accordingly, these funds are managed with disciplined longer-term investment objectives and strategies designed to meet cash flows and spending requirements. Management of the assets is designed to attain the maximum total return consistent with acceptable and agreed-upon levels of risk. The target for average annual real total return (net of investment management fees) is at least the spending policy plus inflation.

# LESLEY UNIVERSITY

## Notes to Financial Statements

### Note 8 - Net Assets and Endowment Matters (Continued)

#### Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objectives, the University relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The University targets an asset allocation strategy wherein assets are diversified among several asset classes. The pursuit of maximizing total return is tempered by the need to minimize the volatility of returns and preserve capital. As such, the University seeks broad diversification among assets having different characteristics with the intent to endure lower relative performance in strong markets in exchange for greater downside protection in weak markets.

### Note 9 - Revenue Matters

The University's revenues from tuition, fees, room, board and auxiliary enterprises are all recognized over time. Factors that can impact the amount and timing of amount of cash flows include policies that allow for withdrawal by students after the start of the program subject to certain limits which differ by nature of program. Cash flows are also impacted by DOE rules which differ for newly enrolled versus continuing students with respect to financial aid. Generally, funds made available by the DOE for new students are available later than for continuing students. Management does not view there to be other qualitative factors that have a significant impact on the nature and amount of revenue and cash flow.

The University has a number of lines of business which include traditional undergraduate education, traditional graduate programs, other continuing education programs, online programs and international programs. The following table summarizes the percentages of revenue from each of these programs:

	2023	2022
<b>Revenue</b>		
Undergraduate tuition, fees, room and board	57%	59%
Graduate tuition and fees	34%	33%
Continuing Ed programs	3%	3%
Threshold program tuition, fees, room and board	4%	4%
Other fees	2%	1%

### Note 10 - Lessor Arrangements

Certain University owned properties are rented to outside parties based on a combination of tenancy-at-will and operating lease arrangements through 2040. The rental income, which is included in auxiliary enterprises, amounted to \$3,193,031 and \$3,388,908 for the years ended June 30, 2023 and 2022, respectively.

# LESLEY UNIVERSITY

## Notes to Financial Statements

### Note 10 - Lessor Arrangements (Continued)

Scheduled lease payments under leasing arrangements were as follows at June 30, 2023:

2024	\$	1,297,858
2025		1,173,829
2026		1,057,938
2027		965,375
2028		905,754
Thereafter		<u>6,440,807</u>
	\$	<u>11,841,561</u>

### Note 11 - Employee Benefit Plans

#### Retirement Plans

All eligible full-time and part-time personnel may elect to participate in a qualified defined contribution retirement plan administered by the Teachers Insurance and Annuity Association and College Retirement Equities Fund. The University makes monthly contributions to the plan which is immediately vested for the benefit of the participants. Contributions are based on years of service with a maximum contribution of 8%. Employees must also contribute between 3% and 5% of annual wages in order to be eligible for a University match. Voluntary contributions by participants above the minimum requirement may be made subject to IRS limitations. The University's retirement expenses under this plan were \$2,490,102 and \$2,499,683 for the years ended June 30, 2023 and 2022, respectively.

### Note 12 - Commitments and Contingencies

#### Commitments

The University has long-term agreements with several third-party vendors for custodial services, security, food services, and bookstore operations. The expiration dates on these contracts run through 2024 and contain customary termination provisions.

The University has two construction contracts associated with renovations on the University's campus. The agreements are for an aggregate amount of approximately \$26,400,000 and run through fiscal year 2025. There are also smaller commitments in the ordinary course that at times extend several years into the future.

#### Contingencies

The University generally is subject to claims and investigations, which arise in the normal course of its operations. The University believes that the outcome of these matters will not have a material adverse effect on the financial position of the University.

# LESLEY UNIVERSITY

## *Notes to Financial Statements*

### **Note 12 - Commitments and Contingencies (Continued)**

#### ***Employment Agreements***

The University has a long-term employment agreement with its President that stipulates a variety of business terms typical in the education sector.

The University has in place a collective bargaining agreement with its core faculty and the agreement expires on June 30, 2024. The University also has in place a collective bargaining agreement with its adjunct faculty and has recently concluded negotiations on a new agreement that will expire on June 30, 2025.

### **Note 13 - Cash Flows Information**

Cash paid for interest was \$4,780,733 and \$4,825,205 in 2023 and 2022, respectively, with the difference from interest expense primarily being the amortization of bond premiums received on issuance of the related debt which has the effect of lowering interest expense reported on the accrual basis.

Additions to property and equipment, net of \$1,854,234 and \$1,615,532 are included in accounts payable and accrued expenses as of June 30, 2023 and 2022, respectively.

### **Note 14 - Federal Support Associated with Covid**

Given the effects of Covid, the University was eligible for certain funding in 2023 and 2022. These programs provided substantial support as follows:

#### ***Higher Education Emergency Relief Funds***

The University recorded grant revenue of \$3,155,789 for the year ended June 30, 2022 all of which was provided directly to students.

#### ***Employee Retention Credits***

The University determined it was eligible for the Employee Retention Credit program during 2022. The University recorded grant revenue associated with this program in the amount of \$4,482,775 for the year ended June 30, 2022.

#### ***Federal Emergency Management Agency Funds***

The University recorded grant revenue of \$550,000 for the year ended June 30, 2023.

### **Note 15 - Related-Party Transactions**

The University has a process in place to identify related-party transactions and has noted no such transactions for the years ended June 30, 2023 and 2022.